

# **Audit Report**



**OFFICE OF THE INSPECTOR GENERAL**

**TRUTH IN NEGOTIATIONS ACT REVISED  
DOLLAR THRESHOLD**

Report No. 94-171

August 1, 1994

This special version of the report has been revised to omit contractor sensitive and Privacy Act data.

DTIC QUALITY INSPECTED 3

**Department of Defense**

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

**20000320 110**

**AQI00-06-1534**

### **Additional Copies**

To obtain additional copies of this report, contact the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

### **Suggestions for Future Audits**

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch, Audit Planning and Technical Support Directorate, at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

Inspector General, Department of Defense  
OAIG-AUD (ATTN: APTS Audit Suggestions)  
400 Army Navy Drive (Room 801)  
Arlington, Virginia 22202-2884

### **DoD Hotline**

To report fraud, waste, or abuse, call the DoD Hotline at (800) 424-9098 or write to the DoD Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of writers and callers is fully protected.

### **Acronyms**

DCAA  
FAR

Defense Contract Audit Agency  
Federal Acquisition Regulation

August 1, 1994

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION  
AND TECHNOLOGY  
DIRECTOR, DEFENSE PROCUREMENT  
DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION REFORM)  
DEPUTY UNDER SECRETARY OF DEFENSE  
(LOGISTICS)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Truth in Negotiations Act Revised Dollar Threshold  
(Report No. 94-171)

We are providing this audit report for your information and use. We performed the audit in response to Public Law 101-510, "National Defense Authorization Act for Fiscal Year 1991," section 803(b)(1), which requires the Inspector General, DoD, to conduct a review of the effects of the increase in the threshold for submission of cost or pricing data from \$100,000 to \$500,000 after the increased threshold has been in effect for 3 years.

Because this report contains no findings or recommendations, written comments were not required of management and none were received.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Richard B. Jolliffe, Audit Program Director, at (703) 604-9202 (DSN 664-9202), or Mr. Timothy J. Staehling, Audit Project Manager, at (703) 604-9254 (DSN 664-9254). Appendix E lists the distribution of this report. The audit team members are listed inside the back cover.



Robert J. Lieberman  
Assistant Inspector General  
for Auditing

This special version of the report has been revised to omit contractor sensitive and Privacy Act data.

**Office of the Inspector General, DoD**

**Report No. 94-171**  
(Project No. 3CA-5033)

**August 1, 1994**

**TRUTH IN NEGOTIATIONS ACT  
REVISED DOLLAR THRESHOLD**

**EXECUTIVE SUMMARY**

**Introduction.** The audit was performed in response to Public Law 101-510, "National Defense Authorization Act for Fiscal Year 1991," section 803(b)(1), which requires the Inspector General, DoD, to conduct a review of the effects of the increase in the threshold for submission of cost or pricing data from \$100,000 to \$500,000 after the increased threshold had been in effect for 3 years.

**Objectives.** The primary audit objective was to determine whether the increased threshold improved the acquisition process or resulted in any adverse risks to the Government. Specifically, the review addressed whether paperwork was reduced, whether the Government realized financial or other savings, and whether the number of contractors participating in the Defense contracting process increased. The review also determined whether the information available to contracting officers was adequate for proposals in which certified cost or pricing data were not required.

**Audit Results.** Opinions were divided on the type and extent of the increased threshold's impact, especially with regard to paperwork reduction and savings. Both the contracting officers and contractors believed that generally adequate information remained available to contracting officers in those cases for which certified cost or pricing data were not required. Although the threshold had been increased to \$500,000, some contracting officers continued to request detailed cost or pricing data and certifications from contractors as though the threshold was still at the \$100,000 level. The issue of contracting officers continuing to request detailed cost or pricing data and certifications from contractors was addressed in Inspector General, DoD, Report No. 94-004, "Contracting Officer Price Analyses," October 15, 1993. The impact of the threshold increase is also masked by other factors such as the downsizing of the DoD budget, the consolidating of contractors within the Defense industry, and Defense contractors reevaluating business strategies to focus more on commercial products and markets.

**Internal Controls and Potential Benefits.** The internal controls applicable to the audit objectives were deemed to be effective in that no material deficiencies were disclosed by the audit. The report contains no potential monetary benefits.

**Management Comments.** Because this report contains no findings or recommendations, written comments were not required of management and none were received.

# **Table of Contents**

---

<b>Executive Summary</b>	i
<b>Part I - Introduction</b>	
Background	2
Objectives	2
Scope and Methodology	2
Internal Controls	3
Prior Audits and Other Reviews	3
<b>Part II - Results of Audit</b>	
Review of Impact of Threshold Increase	6
<b>Part III - Additional Information</b>	
Appendix A. Summary of DoD Contracting Organization Questionnaires	12
Appendix B. Summary of Contractor Interview Responses	13
Appendix C. Summary of Defense Contract Audit Agency Reviewed Proposals Priced Between \$100,000 and \$500,000	20
Appendix D. Organizations Visited or Contacted	21
Appendix E. Report Distribution	24

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

## **Part I - Introduction**

## **Introduction**

---

## **Background**

The audit was performed in response to Public Law 101-510, "National Defense Authorization Act for Fiscal Year 1991," section 803(b)(1), which requires the Inspector General, DoD, to conduct a review of the effects of the increase in the threshold for submission of cost or pricing data from \$100,000 to \$500,000 after the increased threshold had been in effect for 3 years. The FY 1991 Defense Authorization Act changed the Truth in Negotiations Act, included under United States Code, title 10, section 2306 (a)(1), "Truth in Negotiations Act," by increasing the threshold for submission of cost or pricing data from \$100,000 to \$500,000. The effective date of the increase in the threshold was December 5, 1990, with a sunset provision that returns the threshold to \$100,000 after December 31, 1995.

Further, Public Law 101-510, section 803(b)(3), requires the Inspector General, DoD, to submit a report on the review to the Secretary of Defense no later than January 1995.

## **Objectives**

The primary audit objective was to determine whether the increased threshold improved the acquisition process or resulted in any adverse risks to the Government. Specifically, the review addressed whether paperwork was reduced, whether the Government realized financial or other savings, and whether the number of contractors participating in the Defense contracting process increased. The review also determined whether the information available to contracting officers was adequate for proposals in which certified cost or pricing data were not required.

## **Scope and Methodology**

We performed the audit at the 8 judgmentally selected DoD organizations and 55 contractors listed in Appendix D. We summarized the results of:

- Government contracting officer questionnaires,
- DoD organization questionnaires,
- interviews with Government administrative contracting officers,

- interviews with Defense Contract Audit Agency (DCAA) personnel, and
- interviews with contractor contracting personnel to determine the effects of the Truth in Negotiations Act (the Act) increased threshold for submission of certified cost or pricing data on the Defense contracting acquisition process. The contract and proposal information we reviewed covered the period 1989 through 1993.

We performed this economy and efficiency audit from October 1993 through May 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included such tests of internal controls as were considered necessary. We did not use computer-processed data or statistical sampling procedures to perform the audit.

## **Internal Controls**

We evaluated the effectiveness of the internal controls applicable to the threshold requirement of the Act. We reviewed contracting records, interviewed contracting personnel, and analyzed completed contracting organization and contracting officer questionnaires. The audit disclosed no material internal control deficiencies; therefore, the implementation of the DoD Internal Management Control Program was not reviewed.

## **Prior Audits and Other Reviews**

Inspector General, DoD, Report No. 94-004, "Contracting Officer Price Analyses," October 15, 1993, states that DoD contracting officers did not properly perform or adequately document the use of price analyses to determine whether contractor proposal prices were fair and reasonable. As a result, assurances were inadequate that fair and reasonable prices were obtained in all instances for negotiated contractual actions. Also, contractor and Government resources were not used economically when detailed cost or pricing data were obtained for actions priced under \$500,000 and then certifications were not obtained.

Report No. 94-004 recommended that the Military Departments and the Defense Logistics Agency issue written internal control objectives and verification techniques that require contracting officers to perform and verify price analyses using techniques detailed in the Armed Services Pricing Manual, as required by the Federal Acquisition Regulation (FAR), and document the price analysis results in the negotiation memorandum. The report also recommended that the Military Departments and the Defense Logistics Agency issue guidance to implement the Director, Defense Procurement, December 5, 1990,

## **Introduction**

---

memorandum, "Increase in Cost or Pricing Data Threshold," and May 29, 1992, memorandum, "Certified Cost or Pricing Data," to describe those situations requiring certified cost or pricing data in evaluating proposals under \$500,000.

The Air Force and the Defense Logistics Agency concurred with the recommendations. The Army did not concur, while the Navy partially concurred with the recommendations. In their final comments on the report, the Navy fully concurred and the Army continued to nonconcur with the recommendations. However, the report states that, according to the audit results, the Army did a better job of performing and documenting price analyses than did the other Military Departments and the Defense Logistics Agency. As a result, no further action was requested on recommendations addressed to the Army.

## **Part II - Results of Audit**

---

## Review of Impact of Threshold Increase

A review of DoD contracting organizations and Government contractors showed that contracting officers and contractors perceived that the increase in the threshold for submission of cost or pricing data from \$100,000 to \$500,000 had thus far resulted in:

- most DoD contracting organizations experiencing only a marginal reduction in the amount of paperwork required, but most activities realizing at least some savings;
- Government contractors being divided on whether savings and a reduction in the amount of paperwork required had been achieved;
- all DoD organizations and most contractors seeing no incentive for increasing the number of contractors participating in the Defense contracting process; and
- information provided to contracting officers that was generally considered to be adequate in those cases for which certified cost or pricing data were not required.

Furthermore, many contractors also stated that, although the threshold increased to \$500,000, some contracting officers continued to request detailed cost or pricing data and certifications from contractors as though the threshold was still at the \$100,000 level. The impact of the threshold increase is also masked by other factors such as the downsizing of the DoD budget, the consolidation of contractors within the Defense industry, and Defense contractors reevaluating business strategies to focus more on commercial products and markets.

## Background

**Purpose of the Truth in Negotiations Act.** The Truth in Negotiations Act (the Act) protects the Government against defective pricing by contractors. The Act requires contractors to submit certified cost or pricing data when adequate price competition does not exist. If certified cost or pricing data submitted by the contractor are subsequently found to have been inaccurate, incomplete, or noncurrent as of the effective date of the certificate, the Government is entitled to reduce the price to what it would have been if the contractor had submitted accurate, complete, and current data.

**Criteria For Submitting Cost or Pricing Data.** FAR 15.804, "Cost or Pricing Data," covers the submission of cost or pricing data by an offerer or contractor. Specifically, FAR 15.804-2, "Requiring Certified Cost or Pricing Data," discusses the requirements for certified cost or pricing data and cites a \$500,000 threshold amount requirement only for DoD, National Aeronautics and Space Administration, and the Coast Guard (all other Government agencies are still subject to a \$100,000 threshold amount). Further, FAR 15.804-3, "Exemptions From or Waiver of Submission of Certified Cost or Pricing Data,"

discusses the exemptions from or waiver of submission of certified cost or pricing data. FAR 15.804-4, "Certificate of Current Cost or Pricing Data," addresses the requirement for a contractor to execute a Certificate of Current Cost or Pricing Data and refers to FAR 15.801, "Definitions," which defines cost or pricing data.

## **Results of the Threshold Change on the DoD Contracting Process**

The review disclosed that contracting officers and contractors perceived that the increase in the threshold for submission of cost or pricing data from \$100,000 to \$500,000 resulted in some benefits, but opinions were mixed on the extent of the increased threshold's impact.

**Reduction in Government Paperwork.** Completed questionnaires received from eight judgmentally selected DoD contracting organizations showed that 6 of the 8 organizations believed that the increased threshold had, thus far, only resulted in a marginal decrease in the amount of paperwork (Appendix A). Only a marginal decrease resulted because some contracting officers apparently still insisted on negotiating a contract price based on detailed cost analyses, even though contractors were not required to certify cost or pricing data for contracts between \$100,000 and \$500,000. Contracting officers inadequately documented the need for detailed cost and pricing data in either the negotiation memorandum or the contracting file documents. Contracting organizations indicated that they requested Standard Forms 1411, "Contract Pricing Proposal Cover Sheet," (SF 1411s), for actions between \$100,000 and \$500,000 in support of contractor-submitted cost or pricing data that were not required to be certified. The contracting organizations provided no specific reasons for requesting the SF 1411s under those circumstances.

In contrast, two other contracting activities (both Air Force) indicated a significant decrease in their paperwork.

**Reduction in Contractor Paperwork.** Interviews with the 55 judgmentally selected contractors showed that 24 (44 percent) of the 55 contractors believed that a reduction in paperwork had occurred for those contract proposal submissions between \$100,000 and \$500,000 (Appendix B). Of the 24 contractors, 12 claimed savings in paperwork stating that, for contract proposals under \$500,000, only summary-level cost data were provided rather than complete detailed cost data by individual element line items. The reduction in paperwork was more substantial for smaller contractors, who did not have sophisticated established accounting and estimating systems. However, 30 (55 percent) of the contractors believed that the amount of paperwork required or generated had not changed noticeably since the threshold increased to \$500,000. Of the 30 contractors, 28 stated that Government contracting officers are still requiring the same amount of detailed data as before, even though, in most instances, certifications of cost or pricing data were not requested. This impression was confirmed and addressed in a previous audit, Inspector General, DoD, Report No. 94-004, "Contracting Officer

## **Review of Impact of Threshold Increase**

---

Price Analyses," October 15, 1993. Larger contractors stated that their internal policies and procedures for developing and reviewing proposals had not changed since the threshold increased and that the process for a \$100,000 to \$500,000 proposal was no different than the process for a proposal of more than \$500,000. One contractor did not respond.

**Government Savings Realized.** Six of the eight contracting organizations realized financial or other savings, primarily from reductions in procurement administrative lead time (Appendix A). Specifically, the contracting organizations reduced costs by not having to request field pricing support reviews from the administrative contracting officers or audit assistance from DCAA for those contract proposals priced under \$500,000. The reduction in audit assistance is evidenced by the significant reduction in the number of proposals that DCAA reviewed after the threshold was increased in 1990 (Appendix C). As another example, savings result from DoD contracting officers performing more price analyses instead of detailed cost analyses for contract proposals under \$500,000.

**Contractor Savings Realized.** Of the 55 contractors, 31 (56 percent) believed that noticeable financial or other savings had occurred for those contract proposal submissions under \$500,000 (Appendix B). Specifically, the savings resulted from less interaction with DCAA auditors, prime contractors increased use of price instead of cost analyses on subcontract proposals, and less procurement administrative lead time expended on proposals. The 23 contractors (42 percent) that did not identify any financial or other savings stated that they had not realized any savings directly stemming from the threshold change primarily because the Government has not changed its practice of requesting detailed cost or pricing data and certifications. One contractor did not respond.

**Contractor Participation in the Defense Contracting Process.** The 8 DoD contracting organizations and 45 (82 percent) of the 55 contractors stated that the increased threshold did not provide incentives for increasing the participation of contractors in the Defense contracting process (Appendices A and B). Specifically, the contractors stated that the downsizing of the DoD budget and the consolidation of the Defense industry were reducing the participation of contractors in the Defense contracting process. Contractors, primarily the larger ones, stated that, because of the DoD budget reductions, the contractors were now competing for smaller-sized contract awards and competing in areas they had never previously considered. The contractors also stated that the increased competition for the declining DoD budget dollars has caused contractors to reevaluate their business development strategies and possibly focus more on commercial products and markets. Under these circumstances, any impact of the increased threshold is well masked.

**Adequacy of Uncertified Contractor Information.** All eight of the selected DoD contracting organizations believed that the information provided by contractors was generally adequate for those proposals for which certified cost or pricing data were not required.

## Review of Impact of Threshold Increase

---

**Results of DCAA Postaward Reviews.** DCAA statistics on postaward reviews for defective pricing during FYs 1991 through 1993 showed that both the number of postaward reviews performed and the instances of reported defective pricing had significantly decreased for contracts under \$500,000. The DCAA statistics for those reviews performed on contracts under \$500,000 showed that the amount of reported and sustained defective pricing was extremely small compared with the dollar value of the reviewed contracts. DCAA field personnel stated that postaward reviews for contracts under \$500,000 were only performed on an exception basis. We concluded from discussions with DCAA headquarters personnel that DCAA postaward review emphasis will continue to be on those contract awards in excess of \$500,000.

**DoD Contracting Organization and Contractor Opinions on the Threshold Amount.** The selected DoD contracting organizations generally agreed that the \$500,000 threshold amount is appropriate. The contractors also agreed with the \$500,000 threshold or believed that the threshold should be higher.

Results of completed questionnaires from 86 contracting officers at the 8 contracting organizations generally showed that the \$500,000 threshold was appropriate as long as the contracting officer continued to have the option to request certified cost or pricing data for contract proposals under \$500,000. However, 18 contracting officers did not comment on the appropriate threshold amount, and 12 contracting officers believed that the threshold amount should revert to the \$100,000 level. The primary reason for contracting officers wanting to reinstate the \$100,000 threshold was to ensure that contractors were required to certify all submitted cost or pricing data for contracts of more than \$100,000.

Of 55 contractors, 50 (91 percent) recommended that the threshold amount either remain at the current \$500,000 level or be increased to a higher level. Five (9 percent) of 55 contractors expressed no opinion on the threshold amount. The contractors believed that the \$500,000 level adequately accounted for inflationary experience since the early 1960s, when the \$100,000 threshold amount was adopted by the Government. Contractors also noted that contracting officers continue to have the option of requesting certified cost or pricing data for submitted contract proposals between \$100,000 and \$500,000.

**Requirement for Cost or Pricing Data in Competitive Acquisitions.** Ten contractors stated that they were required to submit SF 1411s and detailed cost or pricing data when the solicitation was issued on a competitive basis, contrary to the FAR. Specifically, the solicitation stated that the contract would be based on competition (awarded to the lowest bidder); however, once the contracting officer selected the contractor based on the competitive proposals, the contract would then be changed to a negotiated contract with the contractor then having to submit certified cost or pricing data. The contractors claimed that their proposal prices were already low because of the competition factor and that submitting the additional cost or pricing data wasted time and made the proposal process more costly. The contractors stated that they submitted and certified the additional cost or pricing data so as not to lose the contract award. However, the contractors did not provide specific details on this issue.

This page was left out of original document

## **Part III - Additional Information**

## Appendix A. Summary of DoD Contracting Organization Questionnaires

	<u>Reduced Paperwork</u>	<u>Achieved Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Adequate Information Available to Contracting Officer</u>
Army Armament, Munitions, and Chemical Command	Marginal Decrease	No	No	Yes
Army Tank-Automotive Command	Marginal Decrease	Yes*	No	Yes
Naval Air Systems Command	Marginal Decrease	Yes*	No	Yes
Navy Ships Parts Control Center	Marginal Decrease	No	No	Yes
San Antonio Air Logistics Center	Substantial Decrease	Yes*	No	Yes
Warren Robins Air Logistics Center	Substantial Decrease	Yes*	No	Yes
Defense Industrial Supply Center	Marginal Decrease	Yes*	No	Yes
Defense Electronics Supply Center	Marginal Decrease	Yes*	No	Yes

\*Contracting officers are realizing savings from less effort in evaluating proposals priced between \$100,000 and \$500,000.

## Appendix B. Summary of Contractor Interview Responses

	<u>Reduced Paperwork</u>	<u>Resulted in Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Provided Adequate Information to Contracting Officer<sup>1</sup></u>
Advanced Research and Applications Corporation	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Aero Aire Corporation	No Response	No Response	No	Approved Accounting and Estimating Systems <sup>3</sup>
Aerosonic Corporation, Ordnance Division	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Air Logistics Corporation	No <sup>2</sup>	No <sup>2</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
American Safety Flight Systems, Incorporated	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Andrew SCICOMM, Government Products Group	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Carco Electronics	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Celeritek, Incorporated	Yes	No <sup>2</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Continental Electronics	Yes	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>

See footnotes at end of appendix.

## Appendix B. Summary of Contractor Interview Responses

---

	Reduced Paperwork	Resulted in Financial Savings	Increased Contractor Participation	Provided Adequate Information to Contracting Officer <sup>1</sup>
Contraves USA, Simulation and Systems Integration	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Cypress Semiconductor Corporation	Yes	Yes <sup>5</sup>	No	No Record of Review
DBA Systems, Incorporated	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Daniels Manufacturing Company	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Delfin Systems	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
ECC International Corporation	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Engineering Technology	No <sup>2</sup>	Yes <sup>5</sup>	Yes	Approved Accounting and Estimating Systems <sup>3</sup>
E-Systems, Garland Division	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
FMC Corporation, Ground Systems Division	*	*	No Response	Approved Accounting and Estimating Systems <sup>3</sup>
Goodman Ball, Incorporated	No <sup>2</sup>	No	No	*

See footnotes at end of appendix.

\* Contractor confidential or proprietary data has been deleted.

## Appendix B. Summary of Contractor Interview Responses

---

	<u>Reduced Paperwork</u>	<u>Resulted in Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Provided Adequate Information to Contracting Officer<sup>1</sup></u>
Grumman Aerospace and Electronics	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Harris Corporation, Government Aerospace Systems Division	Yes	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Hercules Defense Electronics Systems, Incorporated	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
HiShear Technology Corporation	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Hughes Aircraft Company, Radar Systems Group	*	*	No Response	Approved Accounting and Estimating Systems <sup>3</sup>
Hydra Electric Company	Yes	Yes <sup>5</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Hytennas, Incorporated	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Kaiser Electronics	Yes	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
L & P Machine, Incorporated	No <sup>2</sup>	No <sup>2</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>

See footnotes at end of appendix.

\*Contractor confidential or proprietary data has been deleted.

## Appendix B. Summary of Contractor Interview Responses

---

	<u>Reduced Paperwork</u>	<u>Resulted in Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Provided Adequate Information to Contracting Officer<sup>1</sup></u>
Litton, Applied Technologies Division	No <sup>2</sup>	No <sup>2</sup>	No Response	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Lockheed Missile and Space Company, Incorporated	Yes	Yes <sup>5</sup>	No Response	Approved Accounting and Estimating Systems <sup>3</sup>
Loral, Vought Systems	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Loral, Western Development Laboratories	No <sup>2</sup>	Yes <sup>5</sup>	Yes	Approved Accounting and Estimating Systems <sup>3</sup>
Martin Marietta, Electronics, Information, and Missiles Group	Yes	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
McAfee Associates	No	No <sup>2</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>
Mnemonics	Yes <sup>6</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Molecular Devices Corporation	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Olin Ordnance	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>

See footnotes at end of appendix.

## Appendix B. Summary of Contractor Interview Responses

---

	<u>Reduced Paperwork</u>	<u>Resulted in Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Provided Adequate Information to Contracting Officer<sup>1</sup></u>
Photo Sonics	No <sup>2</sup>	Yes <sup>5</sup>	No	*
Piezo Technology, Incorporated	Yes <sup>6</sup>	No <sup>2</sup>	Yes	Approved Accounting and Estimating Systems <sup>3</sup>
Reflectone	No <sup>2</sup>	No <sup>2</sup>	No Response	Approved Accounting and Estimating Systems <sup>3</sup>
Rockwell International, North American Aircraft	Yes	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
SRI International	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
ST Microwave Corporation	No <sup>2</sup>	No <sup>2</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Schwartz Electro-Optics, Incorporated	Yes <sup>6</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Smith Industries Aerospace, Defense Systems	No <sup>2</sup>	Yes <sup>5</sup>	No	Approved Accounting and Estimating Systems <sup>3</sup>
Standard Armament, Incorporated	No <sup>2</sup>	No <sup>2</sup>	No	Nonapproved Accounting and Estimating Systems <sup>4</sup>

See footnotes at end of appendix.

\*Contractor confidential or proprietary data has been deleted.

## Appendix B. Summary of Contractor Interview Responses

---

<u>Reduced Paperwork</u>	<u>Resulted in Financial Savings</u>	<u>Increased Contractor Participation</u>	<u>Provided Adequate Information to Contracting Officer<sup>1</sup></u>
Standard Manufacturing Company, Incorporated	No <sup>2</sup>	No <sup>2</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Stanford Telecom	Yes	No <sup>2</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Systems Control Technology, Incorporated	No <sup>2</sup>	Yes <sup>5</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
TRW, Incorporated, Space and Electronics Group	Yes	Yes <sup>5</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Teledyne GeoTech	No <sup>2</sup>	No <sup>2</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Texas Instruments, Incorporated, Defense Systems and Electronics Group	Yes <sup>6</sup>	Yes <sup>5</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Trak Microwave Corporation	Yes <sup>6</sup>	No <sup>2</sup>	Approved Accounting and Estimating Systems <sup>3</sup>
Transamerica Leasing, Incorporated	No	No	Unable to Determine
Varian, Microwave Power Tube, Coupled Cavity Tube Products	Yes <sup>6</sup>	Yes <sup>5</sup>	No *

See footnotes at end of appendix.

\*Contractor confidential or proprietary data has been deleted.

## Appendix B. Summary of Contractor Interview Responses

---

<sup>1</sup>When certified cost or pricing data are not required under the Act.

<sup>2</sup>Contractors stated that, generally, contracting officers required the same amount of cost data for proposals priced under \$500,000 as for proposals priced more than \$500,000 that required certified cost or pricing data.

<sup>3</sup>Contractor accounting and estimating systems currently approved by the Government.

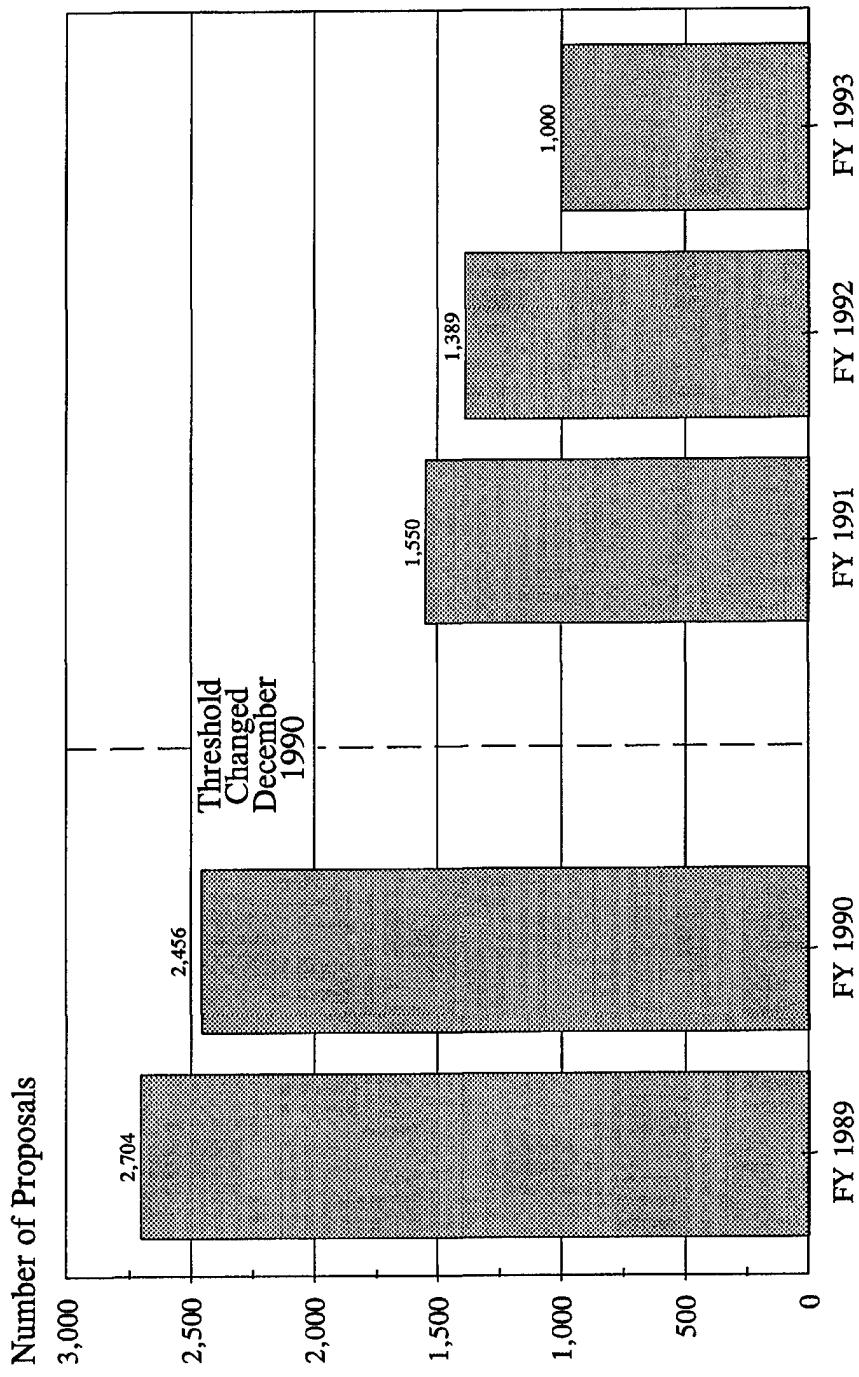
<sup>4</sup>Contractor accounting and estimating systems not subject to review due to contractor size.

<sup>5</sup>Contractors stated that, generally, savings resulted from one of three things: less interaction (proposal audits) with the Defense Contract Audit Agency for proposals priced under \$500,000, performance of price analyses (instead of cost analyses) of subcontractor proposals priced under \$500,000, or reductions in time and personnel.

<sup>6</sup>Contractors generally stated that summary cost (by cost element) data were only provided for proposals priced under \$500,000.

---

### **Appendix C. Summary of Defense Contract Audit Agency Reviewed Proposals Priced Between \$100,000 and \$500,000**



---

## **Appendix D. Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology, Washington, DC  
Deputy Under Secretary of Defense for Acquisition Reform, Washington, DC  
Director, Defense Procurement, Washington, DC

### **Department of the Army**

Assistant Secretary of the Army (Research, Development, and Acquisition),  
Washington, DC  
Army Materiel Command, Alexandria, VA  
Army Armament, Munitions, and Chemical Command, Rock Island, IL  
Army Tank-Automotive Command, Warren, MI

### **Department of the Navy**

Assistant Secretary of the Navy (Research, Development, and Acquisition),  
Washington, DC  
Naval Air Systems Command, Arlington, VA  
Navy Ships Parts Control Center, Mechanicsburg, PA

### **Department of the Air Force**

Assistant Secretary of the Air Force (Acquisition), Washington, DC  
San Antonio Air Logistics Center, Air Force Materiel Command, Kelly Air Force  
Base, TX  
Warner Robins Air Logistics Center, Air Force Materiel Command, Robins Air Force  
Base, GA

### **Defense Organizations**

Director, Defense Contract Audit Agency, Alexandria, VA  
Dallas Branch Office, Central Region, Dallas, TX  
Resident Office, E-Systems, Garland Division, Dallas, TX  
Resident Office, Hughes Aircraft Company, Los Angeles, CA  
Resident Office, Loral, Vought Systems, Dallas, TX  
Resident Office, Rockwell International, North American Aircraft, El Segundo, CA  
Resident Office, TRW, Incorporated, Redondo Beach, CA  
Resident Office, Texas Instruments, Incorporated, Dallas, TX  
Director, Defense Logistics Agency, Alexandria, VA

## **Appendix D. Organizations Visited or Contacted**

---

Defense Electronics Supply Center, Dayton, OH  
Defense Industrial Supply Center, Philadelphia, PA  
Defense Contract Management District South, Atlanta, GA  
    Defense Contract Management Area Operations, Dallas, TX  
    Defense Contract Management Area Operations, Clearwater, FL  
    Defense Contract Management Area Operations, Orlando, FL  
    Defense Plant Representative Office, Loral, Vought Systems, Dallas, TX  
    Defense Plant Representative Office, Texas Instruments, Incorporated, Dallas, TX  
Defense Contract Management District West, El Segundo, CA  
    Defense Contract Management Area Operations, El Segundo, CA  
    Defense Contract Management Area Operations, San Francisco, CA  
    Defense Contract Management Area Operations, Van Nuys, CA  
        Defense Contract Management Office, Glendale, CA  
    Defense Plant Representative Office, FMC Corporation, San Jose, CA  
    Defense Plant Representative Office, Hughes Aircraft Company,  
        Los Angeles, CA  
    Defense Plant Representative Office, Lockheed, Sunnyvale, CA  
    Defense Plant Representative Office, TRW, Redondo Beach, CA

## **Non-Defense Federal Organizations**

General Accounting Office, Washington, DC

## **Non-Government Organizations**

Advanced Research and Applications Corporation, Sunnyvale, CA  
Aero Aire Corporation, Dunedin, FL  
Aerospace Industry Association, Washington, DC  
Aerosonic Corporation, Ordnance Division, Clearwater, FL  
Air Logistics Corporation, Pasadena, CA  
American Bar Association, Washington, DC  
American Safety Flight Systems, Incorporated, Glendale, CA  
Andrew SCICOMM, Government Products Group, Garland, TX  
Carco Electronics, Menlo Park, CA  
Celeritek, Incorporated, Santa Clara, CA  
Composite Technology, Grand Prairie, TX  
Continental Electronics, Dallas, TX  
Contraves USA, Simulation and Systems Integration, Tampa, FL  
Cypress Semiconductor Corporation, San Jose, CA  
DBA Systems, Incorporated, Melbourne, FL  
Dallas Chamber of Commerce, Dallas, TX  
Daniels Manufacturing Company, Orlando, FL  
Delfin Systems, Santa Clara, CA  
ECC International Corporation, Orlando, FL  
Engineering Technology, Orlando, FL  
E-Systems, Garland Division, Garland, TX  
FMC Corporation, Ground Systems Division, Santa Clara, CA  
Goodman Ball, Incorporated, Menlo Park, CA  
Grumman Aerospace and Electronics, Melbourne, FL

## Appendix D. Organizations Visited or Contacted

---

Harris Corporation, Government Aerospace Systems Division, Melbourne, FL  
Hercules Defense Electronics Systems, Incorporated, Clearwater, FL  
HiShear Technology Corporation, Torrance, CA  
Hughes Aircraft Company, Radar Systems Group, Los Angeles, CA  
Hydra Electric Company, Burbank, CA  
Hytennas, Incorporated, Largo, FL  
Kaiser Electronics, San Jose, CA  
L & P Machine, Incorporated, Santa Clara, CA  
Litton, Applied Technologies Division, San Jose, CA  
Lockheed Missile and Space Company, Incorporated, Sunnyvale, CA  
Loral, Vought Systems, Dallas, TX  
Loral, Western Development Laboratories, San Jose, CA  
Los Angeles Chamber of Commerce, Los Angeles, CA  
Martin Marietta, Electronics, Information, and Missiles Group, Orlando, FL  
McAfee Associates, Santa Clara, CA  
Mnemonics, Melbourne, FL  
Molecular Devices Corporation, Menlo Park, CA  
National Association of Manufacturers, Washington, DC  
Olin Ordnance, St. Petersburg, FL  
Optical Data System, Incorporated, Richardson, TX  
Photo Sonics, Burbank, CA  
Piezo Technology, Incorporated, Orlando, FL  
Reflectone, Tampa, FL  
Rockwell International, North American Aircraft, El Segundo, CA  
SRI International, Menlo Park, CA  
ST Microwave Corporation, Sunnyvale, CA  
Schwartz Electro-Optics, Incorporated, Orlando, FL  
Smith Industries Aerospace, Defense Systems, Clearwater, FL  
Standard Armament, Incorporated, Glendale, CA  
Standard Manufacturing Company, Incorporated, Dallas, TX  
Stanford Telecom, Sunnyvale, CA  
Systems Control Technology, Incorporated, Palo Alto, CA  
TRW, Incorporated, Space and Electronics Group, Redondo Beach, CA  
Teledyne GeoTech, Garland, TX  
Texas Instruments, Incorporated, Defense Systems and Electronics Group, Dallas, TX  
Trak Microwave Corporation, Tampa, FL  
Transamerica Leasing, Incorporated, San Francisco, CA  
Varian, Microwave Power Tube, Coupled Cavity Tube Products, Palo Alto, CA

---

## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology  
Comptroller of the Department of Defense  
Deputy Under Secretary of Defense (Acquisition Reform)  
Deputy Under Secretary of Defense (Logistics)  
Director, Defense Procurement  
Assistant to the Secretary of Defense (Public Affairs)

### **Department of the Army**

Secretary of the Army  
Auditor General, Department of the Army

### **Department of the Navy**

Secretary of the Navy  
Assistant Secretary of the Navy (Financial Management)  
Assistant Secretary of the Navy (Research, Development, and Acquisition)  
Comptroller of the Navy  
Commander, Naval Sea Systems Command  
Auditor General, Department of the Navy

### **Department of the Air Force**

Secretary of the Air Force  
Assistant Secretary of the Air Force (Acquisition)  
Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, Central Imagery Office  
Inspector General, Defense Intelligence Agency  
Inspector General, National Security Agency  
Director, Defense Logistics Studies Information Exchange

## **Non-Defense Federal Organizations**

Office of Management and Budget  
Technical Information Center, National Security and International Affairs Division,  
General Accounting Office

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Operations  
House Subcommittee on Legislation and National Security, Committee on Government Operations

## **Audit Team Members**

Paul J. Granetto  
Richard B. Jolliffe  
Timothy J. Staehling  
Arthur M. Hainer  
Benjamin A. Mehlman  
David P. Cole  
Renee L. Gaskin  
Susanne M. Williams  
Michael Sciuto  
Velma L. Booker

## INTERNET DOCUMENT INFORMATION FORM

**A . Report Title:** Truth in Negotiations Act Revised Dollar Threshold

**B. DATE Report Downloaded From the Internet:** 03/1799

**C. Report's Point of Contact:** (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)  
Inspector General, Department of Defense  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-2884

**D. Currently Applicable Classification Level:** Unclassified

**E. Distribution Statement A:** Approved for Public Release

**F. The foregoing information was compiled and provided by:**  
**DTIC-OCA, Initials:** VM **Preparation Date** 03/17/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.